

Michigan  
Consumer  
Federation

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FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, D.C. 20554

EX PARTE COMMUNICATION

August 13, 1997

Mr. William F. Caton, Secretary  
Office of the Secretary  
Federal Communications Commission  
Room 222  
1919 M Street, NW  
Washington, D.C. 20554

**BY HAND:**

EX PARTE COMMUNICATION

**Re: Application of Ameritech Michigan Pursuant to Section 271 of the  
Telecommunications Act of 1996 to Provide In-Region InterLATA Services  
in Michigan (CC Docket 97-137)**

Dear Mr. Caton:

Please consider this correspondence an *ex parte* communication of the Michigan Consumer Federation (MCF) in its continued opposition to Ameritech Michigan's Application.

**Recent Developments Underscore the Concerns Detailed by Michigan Consumer Federation in its Opposition to Ameritech-Michigan's Application.**

As attention continues to focus on the competitor implications of Ameritech's application, the Michigan Consumer Federation (MCF), on behalf of the residential and small business ratepayers of Michigan, takes this opportunity to reiterate its opposition to the Application, and to address various items of interest that have occurred since it filed Comments on June 10, 1997.

- **MCF is in agreement with the concerns included in the Evaluation filed on June 25, 1997 by the United State Department of Justice (DOJ) in this proceeding.** MCF agrees with the DOJ conclusion that
  - "Ameritech remains...by far the dominant provider of local exchange services with a near monopoly in its services areas. [Citation omitted].

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Most parts of Michigan still have no local competition, save possibly on a resale basis, since such CLEC competition as exists in Michigan is overwhelmingly in parts of the cities of Grand Rapids and Detroit and is primarily focused on business customers...Given this level of competition, we cannot presume that no barriers to entry exist." (at pp. 32-33).

The DOJ's conclusion that a more careful analysis of opportunities for competitors' future entry and expansion is called for, is in the opinion of MCF, a sound recommendation.

- **MCF Joins in and Supports**
  - **Reply Comments filed by other parties opposing this Application**
  - **the Motion to Dismiss filed on June 10, 1997 by the Association for Local Telecommunications Services, and**
  - **the July 15, 1997-filed Motion of AT&T Corp. To Strike Portions of Ameritech's Reply Comments.**
- **Ameritech-Michigan's Anticompetitive Behavior Is Apparently Adding to the Cost of Entering Ameritech's Local Market, Thus Delaying the Very Competition that is Legislatively Intended to be a Precondition to LEC Entry into Long Distance.**

Recent media accounts (e.g., *Wall Street Journal*, July 11, 1997) describe the much higher than anticipated cost that giants such as MCI (and subsequently AT&T) report they are experiencing as a result of Bell noncompliance with the Telecommunications Act of 1996's interconnection requirements. Even discounting for potential self-serving explanations, MCF is convinced from the documented OSS problems in Michigan that these assessments are credible, adversely affecting the very consumers MCF represents. As such they are deserving of serious consideration as part of the Commission analysis. Apparently, investment analysts also see merit in the charge.

- **The Commission is Again Urged to Note Ameritech's Track Record for Broken Promises in Michigan.** As described by MCF in its initial Comments, the Michigan legislature provided Ameritech-Michigan with rewards of deregulation and ease of entry even before Ameritech-Michigan delivered on promises to immediately open up its market to competition. Recent developments confirm that six years later, Ameritech-Michigan continues to act in a defiant anti-competitive fashion.

On July 23, 1997, Michigan's attorney general, Frank Kelley, requested the Michigan Court of Appeals to require Ameritech to open the final 30% of its toll call exchange to equal competition, as Ameritech-Michigan has been required to do since before enactment of a toll-call specific amendment in 1995, to legislation enacted in 1991 that was designed to achieve many of the same goals as the Telecommunications Act of 1996. Ameritech continues to foot drag on toll call entry in its most lucrative and competition-sensitive territory. This behavior underscores the danger of providing rewards such as long distance entry before promised pro-competitive behavior has been forthcoming. Consumers will be the ultimate losers if the Commission does not learn that lesson, and provides the reward before the promised behavior has been delivered.

- **Ameritech's Recent Request for a Directory Assistance Call Rate Hike, Belies Its Claim that it Now Experiences---or Will Soon Face---Imminent Competition for Local Service.** In July, Ameritech filed a proposal with the Michigan Public Service Commission (MPSC) to soon end free directory assistance calls and to impose for the first time a fee for such pay phone directory service calls. (See Attachment "A".) Common sense suggests that if indeed Ameritech were concerned about competition in its local telephone service market, it would seek to further entrench--not alienate--the very core local customers who at least *theoretically* may have a future choice of local service providers.
- **Ameritech Michigan's Marketing Practices Related to Cable Service Offerings Is Further Recent Evidence of Anticompetitive Behavior.** In June, Ameritech-Michigan's cable subsidiary blanketed households in southeastern Michigan with offers of up to \$120 in "Americhecks". A household signing up for the Ameritech cable service would allegedly be able to use the checks to pay for "any Ameritech service" including the "home phone bill". Ameritech failed to disclose that it would not honor the checks for basic local service from Ameritech--the most basic element of a customer's "home phone bill". Under public pressure, Ameritech relented and announced that it would honor the checks for basic local service. However, the MPSC is now investigating whether this practice amounts to an unfair and illegal marketing tactic that results in sale of local phone service below cost.

Ameritech's intertwining of its regulated and nonregulated businesses---as this example illustrates--raises serious questions about cross-subsidization and asset transfers, issues that the MPSC has so far failed to investigate. Yet these issues surely must be taken into account if Ameritech is to be allowed entry into still one more---and potentially the most significant---unregulated service...long distance.

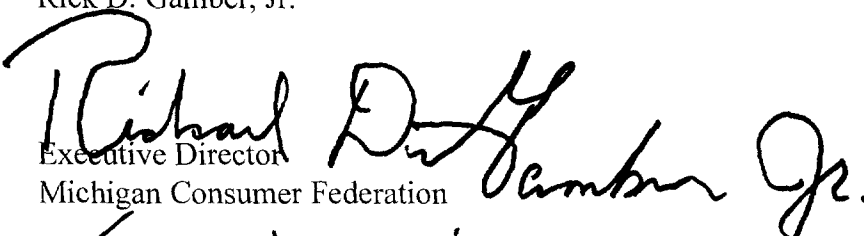
MCF *Ex Parte* Communication  
Ameritech Sec. 271 Application  
August 12, 1997


Page 4

For these reasons, and those stated in its June 10, 1997 Comments, the Michigan Consumer Federation urges denial of Ameritech-Michigan's Application.

Respectfully submitted,

Rick D. Gamber, Jr.

  
Executive Director  
Michigan Consumer Federation

  
Kathleen F. O'Reilly  
Attorney at Law  
Counsel to the Michigan Consumer Federation  
414 "A" St., Southeast  
Washington, D.C. 20003  
tel: 202.543.5068  
fax: 202.547.5784

Attachment

**Copies to:**

Chairman Hundt  
Commissioners Ness, Chong and Quello  
Legal Advisors to the Commissioners (Boasberg, Casserly, Franco, and Gallant)  
Chief, Common Carrier Bureau, Metzger  
Chief, Policy Program Division, Welch  
and Policy Program Division Deputies Mattery and Stockdale  
Ameritech

Detroit Free Press

Wednesday, July 23, 1997 Section B

# local news

## Ameritech wants to hike fees

BY ALISON YOUNG  
Free Press Staff Writer

Ameritech wants to eliminate free directory-assistance calls across the board — from homes, businesses and pay phones.

In a proposal filed this month with state regulators, Ameritech seeks an end to the five free directory assistance calls its residential and business customers now may make each month and — for the first time — charge its pay-phone customers 35 cents for the service.

"The main reason for filing those changes is to make sure those people who use directory assistance pay for what they use," Ameritech spokeswoman Karen Sanborn said Tuesday. Most Ameritech customers — 73

### *End to free directory assistance asked*

percent — make two or fewer calls to directory assistance per month, company officials said.

The Michigan Public Service Commission, which regulates telephone companies, will hold a public hearing on the proposal on Aug. 26.

Under the proposal, the company would:

- Initially reduce the number of free directory-assistance calls from five to two per month. The charge for excess calls would be reduced from the current 45 cents to 35 cents.

- After six months, eliminate the

monthly allowance of free calls to directory assistance; the charge would be 30 cents for each call. Consumers would no longer be charged for searches that result in unpublished numbers or if the operator could not locate a number.

- Immediately begin charging 35 cents for calls to directory assistance from Ameritech pay phones. While Ameritech would continue to provide a phone book at indoor pay phones, it would continue not to stock phone books at outdoor locations.

Ameritech operators in Michigan

receive about 600,000 calls a day. The cost to the company for each call is 19.6 cents, according to the rate filing. Company officials said the changes will not increase revenue. Until 1993, Ameritech customers received 20 free directory assistance calls per month, according to the Public Service Commission.

Meanwhile, Ameritech on Tuesday reminded its directory assistance operators to do all they can to help callers find telephone numbers, Sanborn said. The Free Press reported Tuesday that many metro Detroit

consumers say they can't get telephone numbers unless they know the exact city where the person or business is located.

The Michigan Public Service Commission received about 50 complaints about directory assistance Tuesday, said spokeswoman Mary Jo Kunkle. "We've had quite a jump in the volume of calls," Kunkle said. On average, regulators receive about 10 complaints per month.

The Michigan Public Service Commission's public hearing on Ameritech's proposal is scheduled for 9 a.m. Aug. 26 at the agency's offices, 6546 Mercantile Way, Lansing. The commission also will accept written testimony by mail at: Box 30221, Lansing 48909.